



MICHIGAN ECONOMIC UPDATE

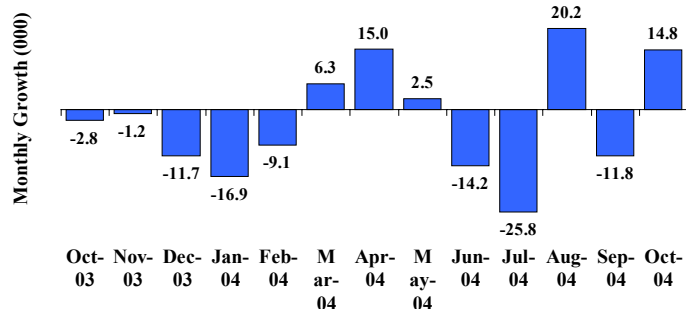
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October 2004 Summary

U.S. Economy: In October, U.S. economic indicators remained mixed. The ISM manufacturing index and the non-manufacturing index signaled sector growth for the 17th and 19th straight month, respectively. Housing starts rose 6.4 percent. Consumer sentiment fell for the third straight month. The index of leading economic indicators fell for the fifth straight month. Durable goods fell 0.4 percent. Industrial production rose 0.7 percent. Retail sales rose 0.2 percent and are up 7.6 percent from a year ago. Excluding autos, retail sales rose 0.9 percent from September. Payroll employment rose sharply (see below). In the third quarter, real GDP grew at faster than a 3.0 percent rate for the sixth straight quarter.

Employment: Michigan payroll employment rose by 15,000 jobs in October. Increases in the government and education and healthcare sectors led the overall increase. The state's unemployment rate fell 0.2 of a percentage point to 6.6 percent. Nationally, payroll employment increased by 337,000 jobs. The U.S. unemployment rate rose 0.1 of a percentage point to 5.5 percent.

Michigan Employment Rises^(a)



Auto Industry: October light vehicle sales fell to a 16.9 million unit annual rate. Compared to a year ago, the three-month average of state vehicle production was down 9.4 percent compared with a 3.7 percent decline nationally. Light vehicle inventories were up 4.5 percent from a year ago; days supply increased by 2 days to 77 days.

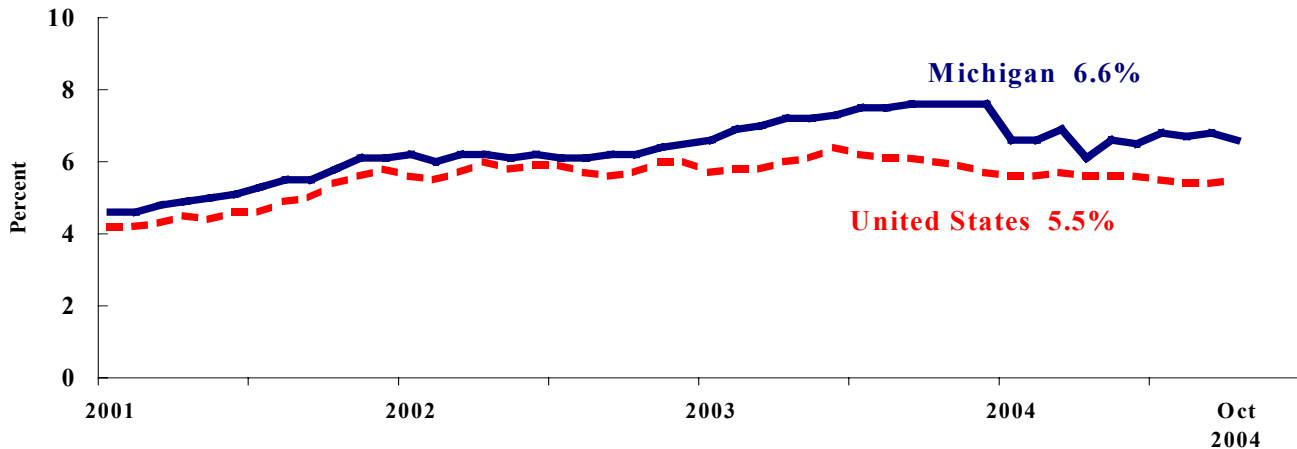
Inflation: Compared to a year ago, overall U.S. consumer prices rose 3.2 percent. Excluding volatile food and energy prices, "core" consumer prices rose 2.0 percent. The overall Detroit CPI rose 2.3 percent. Oil prices averaged about \$53 a barrel in October.

Michigan Metro Areas: Seasonally unadjusted October unemployment rates ranged between 3.4 percent (Ann Arbor MSA) and 7.9 percent (Flint MSA) for the twelve major labor market areas. County unemployment rates ranged between 2.9 percent (Mackinac) and 11.0 percent (Oscoda).

Labor Market Statistics

- Michigan's October monthly unemployment rate fell 0.2 percentage points to 6.6 percent. The current Michigan jobless rate is 1.0 percentage point below a year ago. The October U.S. unemployment rate rose 0.1 percentage points to 5.4 percent and was 0.5 percentage points lower compared to a year ago. Monthly unemployment rates fluctuate due to statistical sampling errors and data revisions.

Michigan and U.S. Monthly Unemployment Rates 2001 to 2004



Source: Michigan Dept. of Labor and Economic Growth and Bureau of Labor Statistics, U.S. Dept. of Labor

- The number of people employed in Michigan was 4,745,000 in October, up 25,000 from last month, while the labor force increased by 18,000. Therefore, the statewide total number of unemployed fell by 6,000 to 337,000.
- United States household employment totaled 139.8 million persons in October, up 298,000 from September. The labor force rose by 367,000 from last month, which meant that there were 69,000 more unemployed people nationally, compared to September 2004.

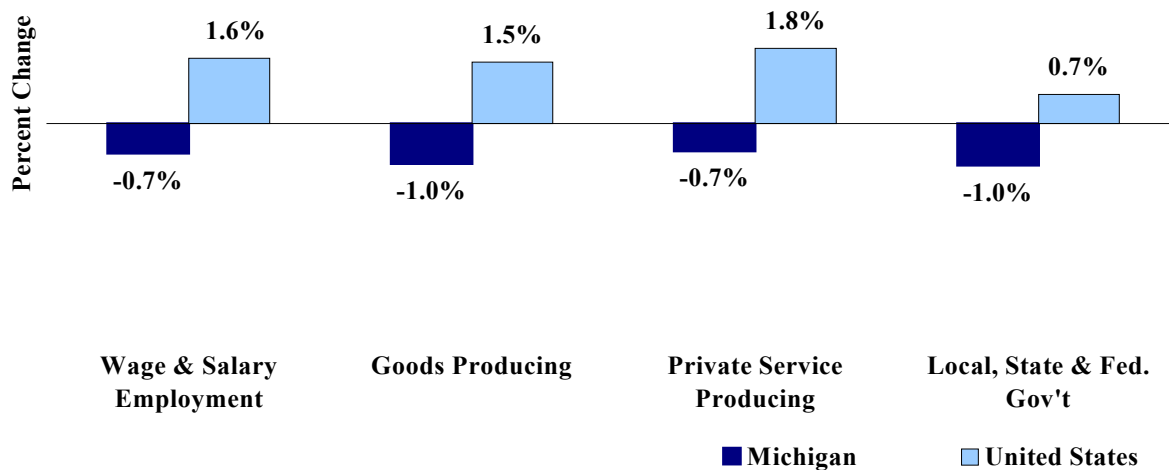
Employment by Place of Residence (in thousands)^(a)

	2003 Average	Aug 2004	Sep 2004	Oct 2004	Change From			
					Prior Month		Last Year	
					Level	%	Level	%
Michigan								
Labor Force	5,042	5,053	5,064	5,082	18	0.4%	n.a.	n.a.
Employed	4,674	4,715	4,720	4,745	25	0.5%	n.a.	n.a.
Unemployed	368	338	343	337	-6	-1.7%	n.a.	n.a.
Unemployment Rate	7.3%	6.7%	6.8%	6.6%	n.a.	-0.2% pts	n.a.	-1.0%
United States								
Labor Force	146,510	147,704	147,483	147,850	367	0.2%	n.a.	n.a.
Employed	137,736	139,681	139,480	139,778	298	0.2%	n.a.	n.a.
Unemployed	8,774	8,022	8,003	8,072	69	0.9%	n.a.	n.a.
Unemployment Rate	6.0%	5.4%	5.4%	5.5%	n.a.	0.1% pts	n.a.	-0.5%

Employment by Place of Work

- From October 2003 to October 2004, Michigan wage and salary employment declined 32,000 (0.7 percent). State wage and salary employment increased 15,000 from September. Nationally, October 2004 wage and salary employment rose 2,073,000 (1.6 percent) from a year ago and was up 337,000 from last month.

Wage and Salary Employment Growth October 2003 to October 2004



Source: Bureau of Labor Statistics, Michigan Department of Labor and Economic Growth

- In the goods producing sector, Michigan employment fell 1.0 percent from a year ago and private service-producing sector employment decreased 0.7 percent compared to last year. From a year ago, October national employment in the goods-producing sector rose 1.5 percent and increased 1.8 percent in the private service-producing sector.
- Manufacturing weekly hours rose in Michigan by 0.2 hours compared to last year.

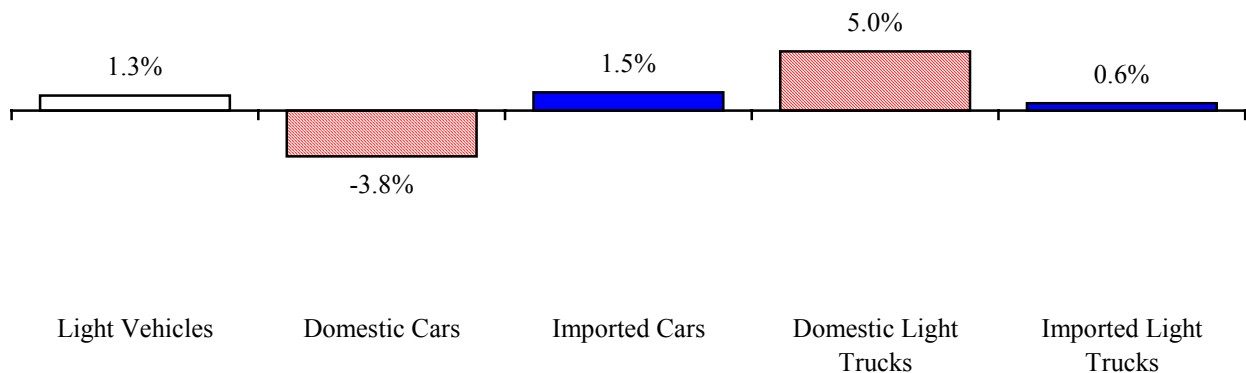
Establishment Employment (in thousands)^(b)

	Michigan				United States			
	2003 Average	Oct 2003	Oct 2004	Percent Change	2003 Average	Oct 2003	Oct 2004	Percent Change
Wage & Salary Employment	4,412	4,405	4,373	-0.7%	129,931	129,944	132,017	1.6%
Goods Producing	925	912	903	-1.0%	21,817	21,674	22,000	1.5%
Manufacturing	727	713	706	-1.0%	14,525	14,351	14,393	0.3%
Private Service Producing	2,805	2,810	2,791	-0.7%	86,538	86,710	88,303	1.8%
Trade, Trans. & Utilities	815	814	791	-2.8%	25,275	25,272	25,566	1.2%
Services	1,700	1,707	1,720	0.8%	50,092	50,282	51,480	2.4%
Local, State & Fed. Gov't	681	683	676	-1.0%	21,575	21,560	21,714	0.7%
Manufacturing Weekly Hours	42.1	42.4	42.7	0.3 hrs	40.4	40.5	40.7	0.2 hrs

Motor Vehicle Industry Sales

- At a 16.9 million unit annual rate, October 2004 light vehicle sales were down 3.1 percent but up 5.1 percent from a year ago.
- Compared to a year ago, domestic sales were up 2.0 percent while foreign sales rose 17.8 percent. Auto sales rose 3.8 percent while light truck sales increased 6.2 percent. Light vehicle inventories rose 4.5 percent while days supply increased by 2 days to 77 days.
- Year-to-date 2004 light vehicle sales are up 1.3 percent compared to last year. Domestic light truck sales are up 5.0 percent for the year, while import light truck sales are up 0.6 percent year-to-date in 2004. Domestic car sales are down 3.8 percent year-to-date while import car sales are up 1.5 percent.

2004 Light Vehicle Sales Up Slightly Year-to-Date



Motor Vehicle Sales Statistics

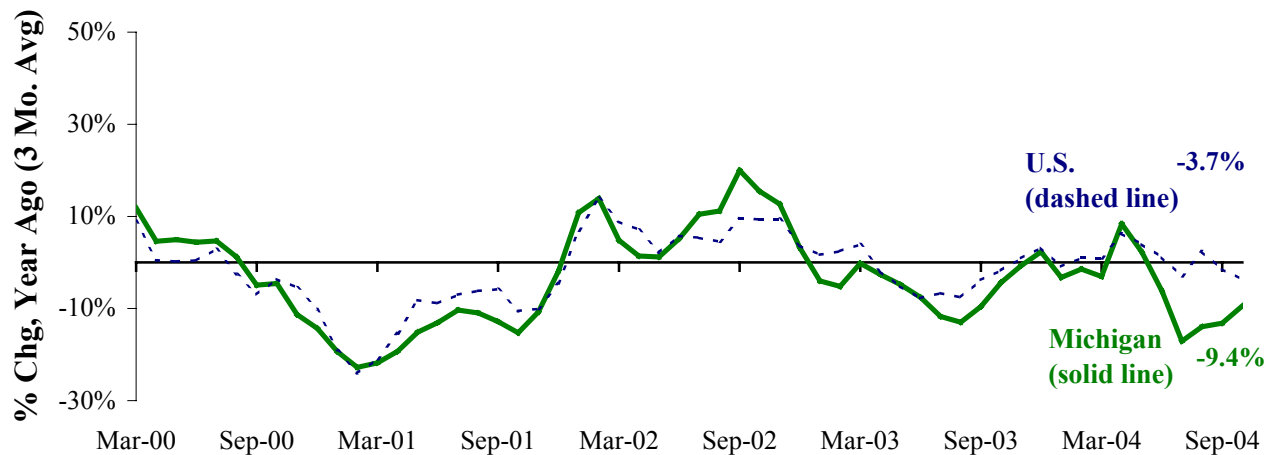
(Millions, unless otherwise specified)

Motor Vehicle Sales ^(c)	2003 Average	Aug 2004	Sep 2004	Oct 2004	3 Month Average	Change from Year Ago	
						Level	%
Autos	7.6	7.2	7.3	7.5	7.3	0.3	3.8%
Domestics	5.5	5.2	5.3	5.1	5.2	(0.2)	-3.2%
Imports	2.1	2.0	2.1	2.5	2.2	0.4	22.0%
Import Share	27.4%	28.0%	28.2%	32.8%	29.7%	4.9% pts	
Light Trucks	9.0	9.4	10.1	9.4	9.6	0.6	6.2%
Domestics	7.8	8.2	8.9	8.1	8.4	0.4	5.6%
Imports	1.2	1.2	1.2	1.3	1.2	0.1	10.6%
Import Share	13.5%	12.7%	12.0%	13.9%	12.9%	0.5% pts	
Total Light Vehicles	16.6	16.6	17.5	16.9	17.0	0.8	5.1%
Heavy Trucks	0.3	0.4	0.4	0.5	0.4	0.1	33.0%
Total Vehicles	17.0	17.0	17.9	17.4	17.4	0.9	5.7%
U.S. Light Vehicle Inventories^(d)		Aug-04	Sep-04	Oct-04	3 Month	Change	
Total Car	1.552	1.317	1.346	1.434	1.366	-0.049	
Days Supply	63	52	56	66	58	-4 days	
Total Truck	2.151	2.282	2.261	2.370	2.304	0.214	
Days Supply	74	72	68	86	75	6 days	

Motor Vehicle Industry Production

- At 242,751 units, October Michigan light vehicle production fell 9.0 percent from a year ago, compared with a 12.1 percent decline nationally.
- Compared with a year ago, state car production fell 21.9 percent while state truck production rose 4.8 percent. Nationally, car production fell 19.2 percent while truck production decreased 8.0 percent.
- Production varies substantially from month to month. Therefore, a three-month average may provide a clearer indication of vehicle production patterns. The Michigan three-month average was down 9.4 percent from a year ago, compared with a 3.7 percent decline nationally. Year-to-date, Michigan vehicle production is down 7.4 percent compared with a 1.2 percent decrease nationally.

Trend Light Vehicle Production Down in Michigan and Nationally



Motor Vehicle Production Statistics

(Thousands, unless otherwise specified)

	2003 Average	Aug 2004	Sep 2004	Oct 2004	3 Month Average	Change from Year Ago for the Month	
						Level	%
U.S. Production ^(e)							
Autos	376.4	385.8	381.7	357.3	375.0	(84.7)	-19.2%
Trucks	634.6	683.5	670.4	702.6	685.5	(61.3)	-8.0%
Total	1,011.0	1,069.3	1,052.1	1,059.9	1,060.4	(146.0)	-12.1%
Michigan Production ^(f)							
Autos	127.2	104.9	112.8	107.7	108.5	(30.2)	-21.9%
Trucks	104.8	107.7	117.7	135.1	120.2	6.2	4.8%
Total	232.0	212.6	230.5	242.8	228.6	(24.1)	-9.0%
Michigan as % of U.S.	22.9%	19.9%	21.9%	22.9%	21.6%	0.8% pts	

October 2004 Unemployment Rates Fell in All Twelve Labor Market Areas (Not Seasonally Adjusted)

Compared to a year ago, October 2004 unemployment rates fell in all twelve major labor market areas. Six labor market areas reported declines of 1.0 percentage point or more. The median decline was 1.0 percentage point.

The Jackson MSA reported the largest decline from a year ago (1.7 percentage points) followed by the Grand Rapids MSA (1.5 percentage points). The Northeast Lower Michigan area reported the next largest decline (1.4 percentage points), followed by the Flint MSA (1.2 percentage points).

October 2004 unemployment rates ranged between 3.4 percent (Ann Arbor) and 7.9 percent (Flint). Compared to September unemployment rates, nine major labor market areas reported non-seasonally adjusted lower unemployment rates; two reported increases and one saw no change.

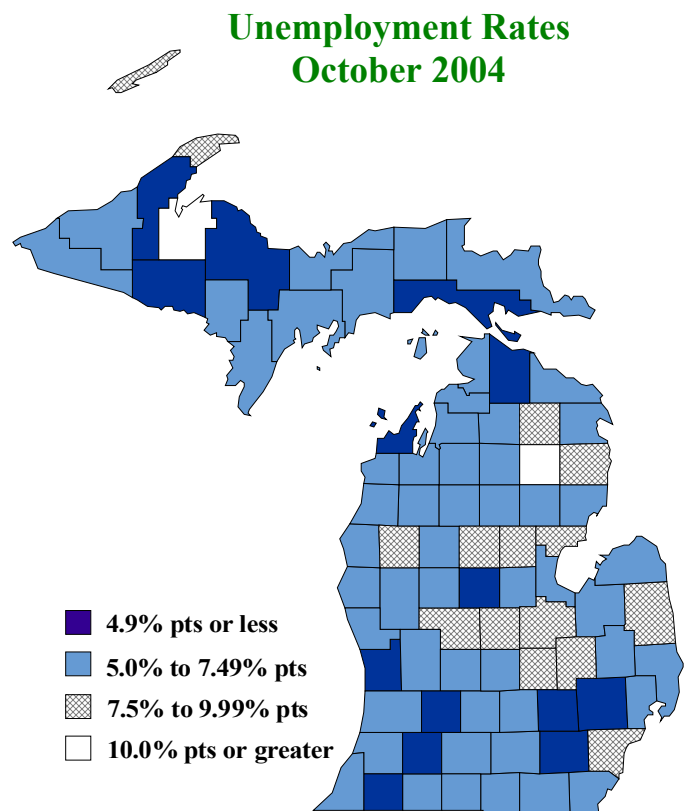
Compared to October 2003, unemployment rates fell in 80 counties. Twenty-two counties saw declines of 1.5 percentage point or more.

Among Michigan's 83 counties, 81 counties reported an October unemployment rate of less than 10.0 percent. Fourteen counties recorded an unemployment rate of less than 5.0 percent.

Local Area Unemployment Rates^(g)

<u>Local Area</u>	<u>Oct 2003 Rate</u>	<u>Oct 2004 Rate</u>	<u>Latest 3 Month Average</u>
Michigan	6.9%	6.0%	6.1%
Ann Arbor MSA	3.8%	3.4%	3.6%
Benton Harbor MSA	6.9%	6.0%	6.2%
Detroit PMSA	7.1%	6.3%	6.5%
Flint MSA	9.1%	7.9%	8.2%
GR-Musk-Holl MSA	7.3%	5.8%	5.9%
Jackson MSA	7.6%	5.9%	6.2%
Kal-Battle Creek MSA	5.9%	5.4%	5.5%
Lansing MSA	6.4%	5.9%	5.2%
Sag-Bay-Midland MSA	7.8%	6.8%	7.1%
Upper Peninsula	5.8%	4.8%	5.0%
Northeast Lower Mich	7.7%	6.3%	6.2%
Northwest Lower Mich.	6.5%	5.6%	5.5%

Source: Michigan Department of Labor and Economic Growth. Due to methodological changes beginning in January 2004, household employment and unemployment level data are not comparable to earlier months.



U.S. Economic Conditions

	<u>Jul-04</u>	<u>Aug-04</u>	<u>Sep-04</u>	<u>Oct-04</u>	<u>Change from Year Ago</u>
KEY ECONOMIC INDICATORS					
Consumer Sentiment ^(h)	96.7	95.9	94.2	91.7	2.1 points
ISM Manufacturing Index ⁽ⁱ⁾	62.0	59.0	58.5	56.8	-0.3 points
ISM Non Manufacturing Index ⁽ⁱ⁾	64.8	58.2	56.7	59.8	-3.5 points
	<u>2003.4</u>	<u>2004.1</u>	<u>2004.2</u>	<u>2004.3</u>	
Business Executives' Confidence ^(j)	66.0	73.0	70.0	63.0	-4.0 points
INFLATION ^(k)					
1982-84 = 100	<u>Jul-04</u>	<u>Aug-04</u>	<u>Sep-04</u>	<u>Oct-04</u>	<u>Change from Year Ago</u>
U.S. Consumer Price Index	189.4	189.5	189.9	190.9	3.2%
Detroit CPI	NA	186.8	NA	187.6	2.3%
U.S. Producer Price Index	148.7	148.6	148.7	151.9	4.4%
INTEREST RATES					
90 Day T-Bill ^(l)	1.35%	1.48%	1.65%	1.75%	0.82% points
Aaa Corporate Bonds ^(m)	5.82%	5.65%	5.46%	5.47%	-0.23% points
INDUSTRIAL PRODUCTION ⁽ⁿ⁾					
	116.7	116.7	116.8	117.6	5.2%
CAPACITY UTILIZATION ^(m)					
	77.5%	77.3%	77.3%	77.7%	2.7% points
RETAIL SALES ⁽ⁿ⁾					
	\$336.9	\$336.1	\$341.4	\$342.1	7.6%
HOUSING STARTS and SALES					
(Millions Annual Rate)	<u>Jul-04</u>	<u>Aug-04</u>	<u>Sep-04</u>	<u>Oct-04</u>	<u>% Change From Year Ago</u>
Housing Starts ^(o)	1.985	2.018	1.905	2.027	2.2%
Existing Home Sales ^(p)	6.720	6.550	6.760	6.750	5.6%
DURABLE GOODS ORDERS ^(q)					
	\$196.4	\$195.4	\$197.2	\$196.3	5.7%
PERSONAL INCOME ^(c)					
(Billions of Dollars)	<u>2003.3</u>	<u>2003.4</u>	<u>2004.1</u>	<u>2004.2</u>	<u>% Change From Year Ago</u>
Michigan	\$315.8	\$322.6	\$317.5	\$321.7	3.1%
U.S.	\$9,196.6	\$9,317.3	\$9,425.2	\$9,565.3	5.2%
GROSS DOMESTIC PRODUCT					
(Billions of Chained 2000 Dollars) ^(c)	<u>2003.4</u>	<u>2004.1</u>	<u>2004.2</u>	<u>2004.3</u>	<u>Annualized % Chg From Last Qtr</u>
	\$10,580.7	\$10,697.5	\$10,784.7	\$10,883.4	3.7%

SOURCES AND NOTES:

- (a) Seasonally adjusted. Sources: Bureau of Labor Statistics, U.S. Department of Labor and Michigan Dept. of Labor and Economic Growth, Employment Service Agency.
- (b) Bureau of Labor Statistics, U.S. Department of Labor (BLS 790).
- (c) Seasonally adjusted annual rates. Source: Bureau of Economic Analysis, U.S. Department of Commerce.
- (d) Ward's Automotive Reports.
- (e) Automotive News.
- (f) Michigan Department of Treasury.
- (g) Michigan Department of Labor and Economic Growth, Employment Service Agency.
- (h) University of Michigan Survey of Consumers.
- (i) Institute for Supply Management (ISM), formerly NAPM.
- (j) The Conference Board.
- (k) Bureau of Labor Statistics, U.S. Department of Labor.
- (l) U.S. Department of Treasury. Average of weekly averages.
- (m) Seasonally adjusted rates (except interest rates). Federal Reserve System Board of Governors. 1997 equals 100.
- (n) Retail and Food Services Sales. Bureau of the Census, U.S. Department of Commerce.
- (o) Bureau of the Census, U.S. Department of Commerce.
- (p) National Association of Realtors.
- (q) Bureau of the Census, U.S. Department of Commerce. Figures exclude semi conductors.